

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4080-02
Bill No.: Perfected HCS for HJR 54
Subject: Veterans; Bonds - General Obligation and Revenue; Constitutional Amendments
Type: Original
Date: February 8, 2016

Bill Summary: This resolution proposes a constitutional amendment authorizing fifty million dollars in bonds for veterans homes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	\$0 or (More than \$7,100,000)	\$0 or (Up to \$4,986,057)	\$0 or (Up to \$4,736,057)
Total Estimated Net Effect on General Revenue	\$0 or (More than \$7,100,000)	\$0 or (Up to \$4,986,057)	\$0 or (Up to \$4,736,057)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Veterans Home Bond and Interest*	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

*(Offsetting entries total \$0 or Up to \$54,986,057 for FY '18 and \$0 or Up to \$4,736,057 in FY '19)

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the State Treasurer** assume the current proposal would not fiscally impact their agency.

In response to a previous version of this proposal, Oversight received the following responses:

Officials at the **Office of the Secretary of State (SOS)** assumed each year, a number of joint resolutions that would refer to a vote of the people a constitutional amendment and bills that would refer to a vote of the people the statutory issue in the legislation may be considered by the General Assembly.

Unless a special election is called for the purpose, a joint resolution proposing a constitutional amendment is submitted to a vote of the people at the next general election. Article XII section 2(b) of the Missouri Constitution authorizes the Governor to order a special election for constitutional amendments referred to the people. If a special election is called to submit a Joint Resolution to a vote of the people, sub-section 115.063.2, RSMo, requires the state to pay the costs. The cost of the special election has been estimated to be \$7.1 million based on the cost of the 2012 Presidential Preference Primary. This figure was determined through analyzing and totaling expense reports from the 2012 Presidential Preference Primary received from local election authorities.

The SOS is required to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and sections 116.230-116.290, RSMo. The Secretary of State's Office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session.

Funding for this item is adjusted each year depending upon the election cycle with \$1.3 million historically appropriated in odd numbered fiscal years and \$100,000 appropriated in even numbered fiscal years to meet these requirements.

The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2013, at the August and November elections, there were 5 statewide Constitutional Amendments or ballot propositions that cost \$2.17 million to publish (an average of \$434,000 per issue).

ASSUMPTION (continued)

In FY 2015, the General Assembly changed the appropriation so that it was no longer an estimated appropriation and the Secretary of State's Office was appropriated \$1.19 million to publish the full text of the measures. Due to this reduced funding, the Secretary of State's office reduced the scope of the publication of these measures.

In FY 2015, at the August and November elections, there were 9 statewide Constitutional Amendments or ballot propositions that cost \$1.1 million to publish (an average of \$122,000 per issue).

Despite the FY 2015 reduction, the Secretary of State's office will continue to assume, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. Because these requirements are mandatory, we reserve the right to request funding to meet the cost of our publishing requirements if the Governor and the General Assembly again change the amount or continue to not designate it as an estimated appropriation.

Oversight has reflected in this fiscal note, the state potentially reimbursing local political subdivisions the cost of having this joint resolution voted on during a special election in fiscal year 2017. This reflects the decision made by the Joint Committee on Legislative Research, that the potential cost of elections should be reflected in the fiscal note. The next scheduled statewide primary election is in August 2016, and the next scheduled general election is in November 2016 (FY 2017). It is assumed the subject within this proposal could be on one of these ballots; however, it could also be on a special election called for by the Governor. Therefore, Oversight will reflect a potential election cost reimbursement to local political subdivisions in FY 2017.

Officials from the **Office of Administration (OA)** assumed the passage of this legislation and issuance of bonds in the spring of FY 2017. The cost to repay the bonds assumes the full amount of the bonds (\$50,000,000) will be issued in the first year, for 15 years, and at a 4.75% interest rate.

Principal Issued:	\$50,000,000
Interest Rate:	4.75%
Number of Years:	15

OA staff will initiate the general revenue transfer to the appropriate debt service fund, reconcile all paying agent transactions for principal and interest, and monitor all fees due the paying agent. Approximately \$65,069.34 in salaries/benefits would be absorbed by current staff for each bond issue.

ASSUMPTION (continued)

The amount for FY 2017 includes \$250,000 one time cost of issuance fees which consist primarily of bond counsel, disclosure counsel, and financial advisors. The first transfer from the General Revenue fund to the debt service fund would take place in FY2017 for payments in FY2018.

FY 2017 Costs:

GR transfer to debt service fund for FY 2017 principal and interest:	\$4,736,057
One time Cost of Issuance fees:	<u>\$250,000</u>
	\$4,986,057

FY 2018 Costs:

GR transfer to debt service fund for FY 2018 principal and interest:	\$4,736,057
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FY 2019 Costs:

GR transfer to debt service fund for FY 2019 principal and interest:	\$4,736,057
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Oversight assumes the state will not have to levy a tax upon the taxable tangible property in the state to pay the debt service of the bonds (as allowed in subsection 5). Of the 10 cents available to the state to levy a tax, only 3 cents is currently being used (for the Blind Pension Trust Fund).

The total debt service on \$50 million of bond sales is expected to total \$71,040,851 (\$21,040,851 in interest) over the 15 years of the bonds as estimated by OA. **Oversight** will range the fiscal impact from \$0 (the resolution is not approved by voters or the General Assembly does not authorize issuance of the bonds) to the estimates provided by OA. Oversight will reflect the fiscal impact starting in FY 2018.

Officials from the **Missouri House of Representatives** and the **Office of Administration - Facilities Management Design and Construction** each assumed the proposal would not fiscally impact their respective agencies.

In response to a similar proposal from the 2015 session, HJR 44, officials from the **Missouri Senate** assumed the proposal would not fiscally impact their agency.

House Amendment 1

Oversight assumes this amendment will not change the original fiscal impact of the proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE			
<u>Transfer Out</u> - SOS - reimbursement of local election authorities for election costs if a special election is called	\$0 or (More than <u>\$7,100,000</u>)	<u>\$0</u>	<u>\$0</u>
<u>Transfer Out</u> - Veterans Home Bond Fund Cost of bond issuance fees		\$0 or (\$250,000)	\$0
<u>Transfer Out</u> - Veterans Home Bond Fund Debt Service		<u>\$0 or (Up to \$4,736,057)</u>	<u>\$0 or (Up to \$4,736,057)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	\$0 or (More than <u>\$7,100,000</u>)	<u>\$0 or (Up to \$4,986,057)</u>	<u>\$0 or (Up to \$4,736,057)</u>
VETERANS HOME BOND AND INTEREST FUND			
<u>Income</u> - Bond proceeds	\$0	\$0 or Up to \$50,000,000	\$0
<u>Transfer In</u> - From General Revenue - Bond issuance fees	\$0	\$0 or \$250,000	\$0
<u>Transfer In</u> - From General Revenue - Debt service	\$0	\$0 or Up to \$4,736,057	\$0 or Up to \$4,736,057
<u>Disbursements</u> - Designated veterans home projects	\$0	\$0 or (Up to \$50,000,000)	\$0
<u>Cost</u> - Bond issuance fees	\$0	\$0 or (\$250,000)	\$0
<u>Cost</u> - Debt service to bondholders	\$0	<u>\$0 or (Up to \$4,736,057)</u>	<u>\$0 or (Up to \$4,736,057)</u>
ESTIMATED NET EFFECT ON VETERANS HOME BOND AND INTEREST FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	<u>FY 2017</u> <u>(10 Mo.)</u>	<u>FY 2018</u>	<u>FY 2019</u>
LOCAL ELECTION AUTHORITIES			
<u>Transfer In</u> - Cost reimbursement from the State for special election	\$0 or More than \$7,100,000	\$0	\$0
<u>Expense</u> - Cost for special election	\$0 or (More than \$7,100,000)	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT TO LOCAL ELECTION AUTHORITIES	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

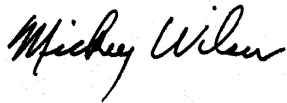
FISCAL DESCRIPTION

This resolution proposes a constitutional amendment authorizing fifty million dollars in bonds for veterans homes.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Missouri House of Representatives
Missouri Senate
Office of Administration
Office of the State Treasurer

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 8, 2016

Ross Strobe
Assistant Director
February 8, 2016